

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 1028

AMEMBASSY BRUSSELS

INFO AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: EFIN, ECON, BE

SUBJ: INFLATION IN BELGIUM

AT SEMINAR IN ANTWERP FEBRUARY 7 SPONSORED BY FLEMISH ECONOMIC UNION (VEV) ON "INFLATION AND STAGFLATION" CONSIDERABLE CONCERN WAS EXPRESSED OVER EFFECTS OF RISING INFLATION. VEV MEMBERSHIP INCLUDES PRACTICALLY ALL MEDIUM AND LARGE ENTERPRISES AND BANKS IN FLEMISH REGION OF BELGIUM. MEMBER OF CONGEN STAFF ATTENDED SEMINAR, AT WHICH LARGE PARTICIPATION INCLUDED MANAGERS OF SEVERAL US FIRMS IN AREA.

PRINCIPAL IMPRESSIONS THAT EMERGED FROM DISCUSSIONS REGARDING EFFECTS OF CONSTANTLY INCREASING INFLATION IN BELGIUM WERE
(1) CONSUMERS WILL SPEND THEIR MONEY MORE CAUTIOUSLY AND SELECTIVELY
(2) A NUMBER OF BUSINESSES WILL PROBABLY GO UNDER (3) THERE WILL PROBABLY BE LESS VARIETY IN CONSUMER GOODS PRODUCED BUT THEY WILL BE MORE DURABLE AND OF BETTER QUALITY (4) ENTERPRISES WILL ADOPT LABOR-SAVING DEVICES WHEREVER POSSIBLE (5) BELGIAN GOVT. WAS CRITICIZED FOR INCREASING TAXES RATHER THAN DECREASING THEM AS IN U.S. (6) ABSENTEEISM AMONG WORKERS HAS FALLEN DRASTICALLY
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SINCE RECESSION SET IN (7) UNIONS WILL HAVE TO MODERATE THEIR

CONTINUED DEMANDS FOR HIGHER WAGES IF BELGIUM IS TO RETAIN ITS
COMPETITIVE POSITION IN WORLD MARKETS.

PRESIDENT OF IMPORTANT ANTWERP KREDIETBANK STATED BELGIAN
ECONOMISTS BELIEVE PRICES WILL CONTINUE TO INCREASE APPROXIMATELY
10 PERCENT ANNUALLY UNTIL THE 1980'S.

ONLY PARTICIPANT WHO REPORTED NO EFFECTS FROM STAGFLATION WAS
MANAGER OF LARGE CLOTHING CHAIN STORE C AND A WHO SAID HIS BUSINESS
WAS BOOMING. HE STATED HE WAS EMPLOYING FEWER PERSONNEL, APPLYING
SELF-SERVICE CONCEPT WHEREVER POSSIBLE, AND SPENDING LESS MONEY
ON ADVERTISING.
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